

Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EUR-12 NEA-10 OIC-02
/163 W

-----108520 232034Z /70

P 231909Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7632
INFO AMEMBASSY WELLINGTON

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ACTION STR PASS ELECTRICALLY
PASS AGRICULTURE AND COMMERCE
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E.O.11652:N/A
TAGS: MTN, NZ, ETRD
SUBJECT: U.S.-NEW ZEALAND BILATERAL, MARCH 16

REF: (A) GENEVA 4178, (B) GENEVA 2279

1. SUMMARY. U.S. MTN DEL, LED BY AMBASSADOR MCDONALD, MET MARCH 16 WITH NEW ZEALAND TEAM, LED BY MR. E. A. WOODFIELD (ASSISTANT SECRETARY, TRADE POLICY, DEPARTMENT OF TRADE AND INDUSTRY) AND AMBASSADOR FARNON, TO REVIEW RESPECTIVE OFFERS AND REQUESTS, PROGRESS IN THE MEAT AND DAIRY NEGOTIATIONS, AND U.S. OFFERS CONCERNING ACCESS FOR DAIRY AND MEAT. NZ DEL VISIBLY DISTURBED BY PROGNOSIS FOR NEGOTIATING ACCESS ON DAIRY AND MEAT, CHALLENGED CONDITIONS ON U.S. OFFER, CALLED FOR MORE POSITIVE RESPONSE, AND SUBMITTED SUPPLEMENTARY TARIFF REQUESTS
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(REFTEL A). U.S. DEL EXPRESSED DISAPPOINTMENT OVER NZ OFFER, ESSENTIALLY AN OFFER TO BIND EXISTING TARIFF RATES, AS BEING UNRESPONSIVE TO U.S. REQUESTS, URGED NECESSITY FOR IMPROVEMENTS, AND STATED THAT ADDITIONAL REQUESTS AND REQUESTS FOR IMPROVEMENTS WOULD BE FORTHCOMING. ON NTM SIDE, NZ IS PREPARED TO NEGOTIATE ITS IMPORT LICENSING SYSTEM ON PRODUCT SPECIFIC BASIS. THE NEXT BILATERAL IS

TO BE SCHEDULED DURING WEEK OF APRIL 10. END SUMMARY.

2. WOODFIELD OPENED SESSION BY STATING THAT IN SPITE OF CONTINUING BOP PROBLEMS, NZ WILL CONTRIBUTE TO MTN IN A POSITIVE MANNER AS EVIDENCED BY TABLING OF POSITIVE OFFER INVOLVING BINDINGS ON REDUCED RATES COMING INTO EFFECT JULY 1, 1978, ITS DECLARED INTENTION TO NEGOTIATE LIBERALIZATION AND/OR ELIMINATION OF IMPORT LICENSING RESTRICTIONS ON A PRODUCT SPECIFIC BASIS, AND TO PARTICIPATE ACTIVELY IN THE NEGOTIATION OF NTM CODES. HE EMPHASIZED THE IMPORTANCE TO NZ OF IMPROVING CONDITIONS OF ACCESS INTO ALL MARKETS FOR BUTTER, CHEESE, BEEF AND LAMB AND THE NEED FOR AN IMPROVED SYSTEM OF INTERNATIONAL COOPERATION IN THE DAIRY SECTOR. WITH RESPECT TO THE U.S., NZ REQUESTS: (A) SIGNIFICANTLY INCREASED IMPORT QUOTAS FOR BUTTER AND CHEESE; (B) MINIMUM ACCESS COMMITMENTS FOR BEEF WITH PROVISIONS FOR GROWTH; (C) LOWER RATES OF DUTY ON DAIRY PRODUCTS, BEEF, LAMB, CERTAIN RAW WOOL ITEMS, CARPET YARN, AND CASEINATE ITEMS; AND (D) PARTICIPATION IN THE MINIMUM PRICE ARRANGEMENTS FOR DAIRY PRODUCTS.

3. AMBASSADOR MCDONALD IN REPLY WELCOMED TABLING OF NZ OFFER, PROPOSED FOLLOW-UP MEETING TO GIVE FORMAL REACTION, AND NOTED THAT U.S. HAD RESPONDED IN GENERAL FAVORABLY TO NZ'S TARIFF REQUESTS EVEN THOUGH MANY OF THE ITEMS NZ HAD LIMITED OFFICIAL USE

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REQUESTED WERE VERY SENSITIVE. THE MOOD FOR TRADE LIBERALIZATION -- IN PARTICULAR FOR NEGOTIATIONS ON FURTHER ACCESS ON DAIRY (ESPECIALLY BUTTER) MEAT AND WOOL -- WAS NOT EUPHORIC IN THE U.S., BEING AGGRAVATED BY EXCHANGE RATE PROBLEMS, INFLATION, UNEMPLOYMENT, FARMER UNREST, DAIRY SURPLUSES, AND CHANGING SOCIAL SITUATION, AND IT IS AGAINST THIS POLITICAL FRAMEWORK THAT WE ARE OPERATING AND IN WHICH COMPROMISE MUST BE SOUGHT. WOODFIELD, OBVIOUSLY TAKEN ABACK, REPLIED THIS ASSESSMENT PROVIDED NO ENCOURAGEMENT FOR NZ MEETING ITS MAJOR MTN OBJECTIVES WITH RESPECT TO THE U.S. AND THE WAY IN WHICH U.S. CONSTRUCTED ITS OFFER WAS NOT A POSITIVE CONTRIBUTION TO THIS STAGE OF NEGOTIATIONS.

4. NZ DEL STATED THAT AN IMPROVED SYSTEM OF INTERNATIONAL COOPERATION IN THE DAIRY SECTOR WOULD LIMIT EXPORT SUBSIDIZATION AND DOWNWARD PRICE PRESSURE RESULTING FROM SURPLUS SUPPLIES IN WORLD MARKET FOR BUTTER, ANHYDROUS MILK FAT, SKIM MILK AND WHOLE MILK POWDERS. THE MOST SUITABLE AND WIDELY ACCEPTED TECHNIQUE THROUGH WHICH TO ACHIEVE THIS OBJECTIVE IS MINIMUM EXPORT PRICE ARRANGEMENTS ALREADY IN FORCE FOR SEVERAL OF THESE PRODUCTS. THE

EC HAS MADE IT FAIRLY CLEAR THAT U.S. PARTICIPATION IS
ESSENTIAL, A VIEW ENDORSED BY NZ, AND WOODFIELD OPINED
THAT U.S. COULD OPERATE MINIMUM PRICES THROUGH CCC SALE
PRICE OPERATIONS.

5. ACCEPTANCE OF AN ARRANGEMENT, HOWEVER, WOULD NOT MEET
ALL OF NZ'S OBJECTIVES, AND BILATERAL ACCESS NEGOTIATIONS
ON BUTTER WERE OF PARTICULAR IMPORTANCE. AT MINIMUM, NZ
WANTS U.S. TO ENLARGE QUOTA TO PRE-1953 TARIFF RATE QUOTA
LEVEL OF 60 MILLION LBS. WITH RESPECT TO DAIRY SUBGROUP
NEGOTIATIONS, NZ WANTS TO PROCEED ON EXISTING BASIS, I.E.
IMPROVE OPERATION AND COVERAGE OF EXISTING ARRANGEMENTS
(INFORMATION/SURVEILLANCE/CONSULTATIONS, WITH NO COMPUL-
SORY PROVISIONS OR SANCTIONS) AND EXPLORE ESTABLISHMENT
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ACTION STR PASS ELECTRICALLY
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AND ADJUSTMENT OF MINIMUM PRICES AND THE OPERATION OF

DEROGATIONS, BOTH OF WHICH IT SHOULD BE POSSIBLE TO NEGOTIATE.

6. FOR CHEESE AND MEAT, NZ CAN AND IS PREPARED TO NEGOTIATE WITH EC UNDER JOINT DISCIPLINE PROCEDURE. FROM THE U.S., NZ IS SEEKING THE DOUBLING OF PRESENT QUOTA ACCESS FOR CHEESE FROM 7,500 TO 15,000 TONS AND FOR BEEF REITERATED REQUEST FOR MODIFICATION (UNSPECIFIED) OF U.S. MEAT LAW TO GIVE INCREASED AND SECURE ACCESS. NZ DEL UPSET THAT U.S. IS SEEKING A SPECIFIC QUOTA FOR HIGH QUALITY BEEF IN JAPAN RATHER THAN SUPPORTING OCEANIA'S EFFORTS TO SEEK EXPANSION OF OVERALL QUOTA TO 100,000-120,000 TONS, STATING THAT THIS ACTION IS INCONSISTENT WITH GLOBAL ACCESS CONDITIONS THE U.S. PLACES ON ITS OFFER. WITH RESPECT TO MEAT SUBGROUP NEGOTIATIONS, NZ LIMITED OFFICIAL USE

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DEL STATED THAT AN ARRANGEMENT WAS NOT AN ESSENTIAL PART OF MTN PACKAGE FOR NZ, BUT THEY HAVE SUPPORTED AND WILL CONTINUE TO SUPPORT IMPROVED INFORMATION/SURVEILLANCE/CONSULTATION PROVISIONS.

7. NZ DEL STATED THAT THEIR OFFER COVERED ABOUT \$100 MILLION OF TRADE FROM THE U.S. (1976/77 BASIS) INCLUDING INITIAL RESPONSES TO 47 U.S. REQUEST ITEMS (MTN DEL REVIEW INDICATES 53 ITEMS, 6 AGRICULTURAL AND 47 INDUSTRIAL) AND A LARGE NUMBER OF NONREQUEST ITEMS ON WHICH THE U.S. IS THE PRINCIPAL SUPPLIER. IN ADDITION, A NUMBER OF U.S. REQUEST ITEMS WERE BEING REDUCED IN THE NEW TARIFF BUT NOT COVERED IN THE OFFER. IN RELATION TO U.S. REQUESTS THE OVERALL REDUCTION, ON TRADE AND REVENUE BASIS, WAS ON THE ORDER OF 42 PERCENT FOR INDUSTRIAL PRODUCTS AND 34 PERCENT FOR AGRICULTURAL PRODUCTS. WITH RESPECT TO THE NEW TARIFF, NZ DEL SAID IT WAS STRUCTURED SO AS TO DISMANTLE LICENSING SYSTEM, THE SPEED OF WHICH WOULD DEPEND ON THE BOP SITUATION AND ON THE DEGREE THAT TARIFFS ALONE WOULD PROVIDE PROTECTION SOUGHT.

8. U.S. DEL REPLIED THAT U.S. HAD REACHED NO OVERALL CONCLUSION ON VALUE OF NZ'S OFFER, BUT WOULD PROVIDE DETAILED RESPONSE WITHIN THREE TO FOUR WEEKS. OUR PRELIMINARY REVIEW INDICATED OFFER WAS UNRESPONSIVE TO OUR TARIFF REQUESTS, THAT THE RESPONSES THEMSELVES WERE DISAPPOINTING AS THEY WERE LARGELY OFFERS TO BIND EXISTING LEVELS AND INVOLVED FEW TARIFF CUTS, THAT THE U.S. WOULD BE SEEKING IMPROVEMENTS AND WOULD BE SUBMITTING ADDITIONAL REQUESTS (FRESH GRAPES, ALL PREP/PRES POULTRY PRODUCTS, TARIFF FREE CLASSIFICATION FOR PROTEIN CONCENTRATES AND ISOLATES). U.S. DEL STRESSED IMPORTANCE U.S. ATTACHES TO ELIMINATION OF LICENSING SYSTEM ON ALL THE

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PRIORITY REQUESTS AND EXPRESSED U.S. ANTICIPATION THAT NZ WOULD BE PREPARED TO NEGOTIATE MIXING REGULATIONS ON TOBACCO AND STATE TRADED ITEMS.

9. WITH RESPECT TO U.S. LICENSING REQUESTS, NZ DEL PROVIDED LIST OF ITEMS (HANDCARRIED HARPER, USDA) SHOWING THOSE EXEMPT FROM LICENSING (SEE ALSO REFTTEL B), THOSE ITEMS ON WHICH MORE INFORMATION IS REQUIRED FOR ASSESSING ANY OFFER THAT MIGHT BE MADE, AND A LIST OF PROBLEM ITEMS (THOSE SUBJECT TO INDUSTRY REVIEW) ON WHICH OFFERS WILL HAVE TO BE DETERMINED LATER. ON STATE TRADING ITEMS, NZ DEL SAID IT WAS DIFFICULT TO SEE WHAT COULD BE DONE BUT IS PREPARED TO DISCUSS FURTHER IF U.S. COULD FORMULATE TYPE OFFER IT IS SEEKING IN MORE SPECIFIC TERMS. THEY ALSO REQUESTED ADDITIONAL PRODUCT SPECIFICATIONS ON SPECIALTY FLOURS WHICH THEY BELIEVED DID NOT FALL UNDER SCOPE OF WHEAT BOARD. ON TOBACCO, NZ DEL WAS NEGATIVE. U.S. DEL POINTED OUT THAT IN ADDITION TO TARIFF CUT THE U.S. IS SEEKING A REDUCTION OF MIXING REQUIREMENT TO 20 PERCENT AND THAT FOR THE U.S. TO MAINTAIN ITS OFFER ON ITEMS OF IMPORTANCE TO NZ SUCH AS WOOL, NZ MUST BE PREPARED TO MAKE SIGNIFICANT OFFERS ON IMPORTANT AGRICULTURAL PRODUCTS OF INTEREST TO THE U.S., SUCH AS TOBACCO.

10. U.S. DEL THEN REVIEWED U.S. OFFER AS IT AFFECTS U.S. DUTIABLE IMPORTS OF \$222 MILLION FROM NZ IN 1976, STRESSING U.S. MADE MEANINGFUL TARIFF OFFERS ON 91 PERCENT (OR \$201.5 MILLION) OF DUTIABLE TRADE, RESPONDING POSITIVELY TO ALL ITEMS REQUESTED BY NZ. ON AGRICULTURAL ITEMS, U.S. WAS OFFERING AN AVERAGE WEIGHTED REDUCTION OF 35 PERCENT IN TARIFF RATES ON \$188.8 MILLION (INCLUDING FROZEN CREAM AND CASEIN MIXTURES). ON INDUSTRIAL PRODUCTS, U.S. WAS OFFERING GREATER-THAN-FORMULA CUTS ON \$2.9 MILLION, FORMULA CUTS ON \$9.5 MILLION, AND LESS-THAN-FORMULA CUTS ON \$0.3 MILLION. U.S. DEL STRESSED MAINTENANCE AND/OR IMPROVEMENTS IN U.S. OFFER DEPENDED UPON

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RECIPROCITY FROM NZ AND, IN THE CASE OF DAIRY AND MEATS, UPON CONSIDERATION OF WHAT OTHER COUNTRIES WOULD OFFER.

11. NZ DEL CHALLENGED, IN PARTICULAR, THE U.S. NEED FOR GLOBAL ACCESS ASSURANCES WITH RESPECT TO LAMB AS BEING

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UNREALISTIC AND STATED THAT ACCESS IN EC/JAPAN/CANADA WAS
SECURE AS ANY REASONABLE COUNTRY COULD EXPECT AND NZ DID
NOT ANTICIPATE ANY CONTRACTION OF THEIR MARKET IN THESE
COUNTRIES. NZ DEL SUBMITTED SUPPLEMENTARY REQUESTS FOR
DEEPER TARIFF CUTS (REFTEL A), REQUESTED U.S. TO RE-
CONSIDER PRODUCT SPECIFIC CONDITIONS ATTACHED TO U.S.
OFFER (THIS WOULD ONLY IMPEDE SATISFACTORY NEGOTIATIONS),
URGED U.S. TO MOVE NEGOTIATIONS ON SECTION 22 AND MEAT LAW
TO FOREFRONT, AND REITERATED THAT CONCESSIONS ON ACCESS
FOR NZ FAR OUTWEIGH CONCESSIONS ON TARIFFS. IT WAS
AGREED TO HOLD NEXT BILATERAL DURING WEEK OF APRIL 10.

12. ACTION REQUESTED: U.S. MTN DEL WOULD APPRECIATE
RESPONSE BEFORE APRIL 10 ON (1) U.S. EVALUATION OF NZ
OFFER AND RESPONSE TO NZ'S SUPPLEMENTARY REQUESTS
(REFTEL A), (2) U.S. ADDITIONAL AND SUPPLEMENTARY
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REQUESTS OF NZ, (3) U.S. RESPONSE TO INFORMATION REQUESTED

BY NZ IN PARA 9.

13. DRAFTED BY SWAIN. CULBERT

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 23 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Original Classification: LIMITED OFFICIAL USE
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